2006–2007

Saskatchewan

Provincial Budget

Performance Plan

Saskatchewan Industry and Resources

2007-00010

Minister's Message

It is my pleasure to present the performance plan for Saskatchewan Industry and Resources for 2006-07 and beyond.

As was emphasized last year at the Saskatchewan Centennial Summit, we must plan for our future by developing and implementing long-term approaches for the economy. In September 2005, we released the *Saskatchewan Action Plan for the Economy – A New Century of Opportunity* (Action Plan) to mark the way forward for economic development in Saskatchewan. Government is advancing priority actions based on advice gathered from Saskatchewan community, business and investment representatives at the Summit and through consultations. Industry and Resources has many responsibilities to carry out under the Action Plan as well as through this performance plan.

As we enter our second century, Saskatchewan is enjoying a high rate of Gross Domestic Product (GDP) per capita coupled with low unemployment. The economy is performing well and Saskatchewan is enjoying the economic benefits of its rich endowment of resources. However, there remain parts of our economy where skilled labour shortages are posing challenges and where the potential of individuals, businesses and communities is not fully realized. The Saskatchewan economy can show continued growth based on our strengths in energy, mining, manufacturing and research with the concerted efforts of private and public partners.

Industry and Resources will not rest on past records of success. The Department will strive to carry out its programs efficiently and effectively to benefit the provincial economy by pursuing further development in its key sectors. Our Department's sectoral focus will help ensure Saskatchewan is able to access emerging opportunities, both locally and globally. We will report on progress made under the Action Plan in our Department's annual report to the Legislature for 2005-06. This complements our commitment to complete the key actions identified in our performance plan and to report on progress to the people of Saskatchewan, in the Department's 2006-07 Annual Report to be released in July 2007.

Eric Cline, Q.C.
Minister of Industry and Resources

Who We Are

The mandate of Saskatchewan Industry and Resources is:

"To achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources, work with businesses to expand the Saskatchewan economy by promoting, co-ordinating and implementing policies, strategies and programs that encourage sustainable economic growth and to optimize revenues to fund government programs and services."

The Department has a broad range of responsibilities (more information can be found on our website at www.ir.gov.sk.ca):

- Industry and business development (to support business growth and retention through investment attraction, increased competitiveness, and the removal of regulatory and other impediments);
- Investment programs (to manage and maintain investments through the Strategic Investment Fund, Economic Partnership Agreements, Petroleum Research Initiative, Technology Commercialization, and *Invest in Saskatchewan*, the Labour-sponsored Venture Capital Corporation Program);
- Promoting the Province through programs, strategic communication initiatives and special events to raise awareness of Saskatchewan as a place to live, work, invest and do business;
- Corporate services (to support human resources and budget management);
- Resource and economic policy (to monitor economic and market trends, policies, legislation and impacts on industry performance, and to provide analysis and recommendations on issues such as royalty/tax systems and climate change);
- Energy planning and development (to encourage responsible development, use and conservation of energy resources);
- Resource development (to stimulate optimal development of oil, gas and mineral resources and to administer Crown mineral rights);
- Resource regulation and revenue collection (to encourage timely and full collection of revenues and to ensure activities meet with environmental and regulatory obligations); and
- Strategic initiatives (to support high priority projects such as ethanol and agri-value initiatives, the Canadian Light Source synchrotron, forest product development and support to the Saskatchewan Forest Centre).

The Department has 331 employees located in Regina and Saskatoon as well as regional resource development offices (Estevan, Swift Current, Kindersley, Lloydminster, La Ronge and, on a part-time basis, Creighton).

In fulfilling its mandate, the Department regularly liaises with a variety of economic development organizations and agencies in the Province's key resource sectors and the business community.

The Department also provides annual transfer payments through its budget under *The Economic and Co-operative Development Act* to Tourism Saskatchewan and the Saskatchewan Trade and Export Partnership (STEP) for their independent operations.

The Tourism Authority Act gives Tourism Saskatchewan the responsibility to facilitate the marketing of tourism, the provision of visitor and information services, the education and training of individuals involved in the tourism industry, the planning and development of tourism destination areas, the administration of tourism funding programs (other than capital funding), research and policy development in tourism, public awareness of tourism, and the development and promotion of tourism in Saskatchewan. More information on these services can be obtained from Tourism Saskatchewan's website at www.sasktourism.com.

STEP is a unique industry-government partnership led by industry and established as a non-profit corporation to maximize commercial success in global ventures. STEP delivers export services using its team of specialists, innovative approaches and worldwide networks. STEP's Board of Directors establishes the priorities for its work. STEP is not an agent of the Province of Saskatchewan but acts on behalf of the Government of Saskatchewan with respect to certain priorities, set out with the Province for its funding, including trade development and promotion and representation at certain western-provincial and national level committees. For more information, see the STEP website at www.sasktrade.sk.ca.

In addition, Industry and Resources provides financial support to the Petroleum Technology Research Centre, the International Test Centre for Carbon Dioxide Capture and the Prairie Adaptation Research Collaborative at the University of Regina Research Park.

Plan at a Glance

This plan builds upon previous plans but is changed in a couple of key areas to reflect attention to development of key sectors of the economy. Activities planned for 2006-07 are outlined on the following pages and will be reported in the 2006-07 Annual Report, to be released in July 2007.

The January 2005 Centennial Summit gathered input from a wide cross-section of provincial economic, business and academic stakeholders that shaped development of a new economic action plan. Industry and Resources officials developed the framework plan with senior government officials and its outcomes inform the Department's ongoing work.

OUR VISION

Our vision is of a strong, vibrant and growing economy supporting the goals and aspirations of Saskatchewan people.

GOAL 1

Growth in those sectors that have the greatest potential for future prosperity – energy, minerals, forest products, agri-value, manufacturing, and advanced technology – recognizing emerging sectors with future growth potential

***OBJECTIVE 1** – Strengthen and increase industries active in key sectors*

Performance Measure

- Real Gross Domestic Product per worker in key sectors

***OBJECTIVE 2** – Encourage and facilitate growth in businesses that provide goods, supplies or services to key sectors or that use outputs from key sectors for value-added manufacturing or processing*

Performance Measure

- Real Gross Domestic Product by key sector

OBJECTIVE 3 – *Promote the importance of inter-industry collaboration within the province*

Performance Measures

- Under development

OBJECTIVE 4 – *Dynamic and flexible sectoral focus*

Performance Measure

- Investment from the Western Economic Partnership Agreement in key sectors

GOAL 2

Optimal long-term benefit from the development of the province's non-renewable resources

OBJECTIVE 1 – *Commit the Department to responsible, effective management of resources and to ensure prudent gathering of revenues for the province*

Performance Measures

- Percentage of the oil and gas industry's annual revenues paid to the Crown as royalties
- Saskatchewan production of non-fuel minerals

OBJECTIVE 2 – *Examine policies, legislation and regulations for optimal development of non-renewable resources while sustaining the province's long-term interests*

Performance Measure

- Uncollectible revenues as a percentage of total revenues assessed

OBJECTIVE 3 – *Support and maintenance of a green and prosperous economy*

Performance Measures

- Under development

GOAL 3

A positive, competitive and innovative environment in which to invest and do business

***OBJECTIVE 1** – Stimulate investment and business expansion across the province*

Performance Measure

- New investment by industry in key sectors

***OBJECTIVE 2** – Improve the province's competitiveness*

Performance Measures

- Saskatchewan's share of Western Canadian conventional oil and gas exploration and development expenditures
- Saskatchewan's share of non-uranium mineral exploration
- Saskatchewan's competitiveness for manufacturing companies

***OBJECTIVE 3** – Maximize the return on investments in innovation*

Performance Measure

- Business expenditures on research and development in Saskatchewan per year

***OBJECTIVE 4** – Improve perception of Saskatchewan growth opportunities for increased capital investment and economic development, tourism, youth retention and business expansion*

Performance Measure

- Percentage of Saskatchewan residents, in polling, who agree with the statement: "Saskatchewan is a great place in which to live, work, and do business"

2006-07 Financial Overview

2006-07 ESTIMATES	*(in thousands of dollars)*
Central Management and Services	$ 8,136
Investment Programs	44,222
Industry Development	7,743
Revenue and Program Services	3,220
Petroleum and Natural Gas	5,751
Exploration and Geological Services	4,882
Resource and Economic Policy	2,501
Tourism Saskatchewan	7,892
Saskatchewan Trade and Export Partnership	2,791
Total Appropriation	$ 87,138
Capital Acquisitions	(400)
Amortization	4,755
Total Expense	$ 91,493
REVENUES	$ 1,526,996
FTE Staff Complement	330.9

Funding levels remain similar to the previous fiscal year with the following exceptions:

- $12.825 million increase to the Ethanol Fuel Grant Program required for the expected expansion in ethanol production capacity in the Province;
- $1.242 million decrease to meet federal/provincial commitments made in 2004-05 and 2005-06 under the multi-year funding under the Western Economic Partnership Agreement (WEPA);
- $15.5 million funding toward new pork processing to support the province's hog and pork industries;
- $2.5 million funding increase is provided to develop and implement a new marketing campaign *Innovative by Nature* to replace the previous *Our Future is Wide Open* campaign;
- $1.026 million increase to cover increased operating costs and to fund negotiated salary increases; and
- $860,000 decrease for capacity expansion at the Geological Core Library because core storage construction should be complete before March 2006. This expansion handles the required storage of core drilling samples that will be accessible for examination by staff and industry to support the exploration and development activities in the Province.

Transfers to third parties for 2006-07 are budgeted at $54.905 million. This amounts to 63 per cent of total Department appropriation. The Department delivers its mandate through partnerships and funding programs for sustainable economic growth. With more than half of its budget funding third party programs, this provides the flexibility to increase investment and grow the economy in key sectors with optimum benefit. Thrusts supported include:

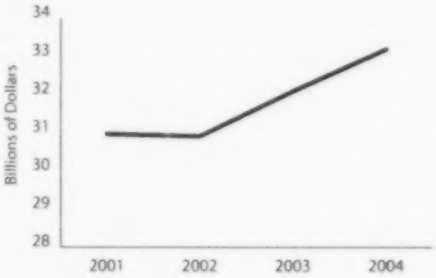
- tourism and export development (12.3 per cent of total budget);
- exploration, research and new technology (12.6 per cent of total budget); and
- programs to support business and ethanol grant programs (38.1 per cent of total budget).

Trends and Issues

The Department closely monitors a number of provincial economic trends. In general, the Department's efforts to promote and encourage economic development are observed in advances in the economic indicators shown below.

GROSS DOMESTIC PRODUCT

REAL GDP



[Source: Statistics Canada, Provincial Economic Accounts]

Industry and Resources works to attract investment to Saskatchewan. Growth in an economy is measured in terms of real gross domestic product (GDP) and is one indication of expansion attractive to outside investment.

After a decade of strong economic growth, Saskatchewan's GDP dropped in 2001 (-1.0 per cent) and again in 2002 (-0.2 per cent). A strong recovery saw Saskatchewan GDP growth at a rate of 3.8 per cent in 2003 (second only to Newfoundland at 6.2 per cent) and a further 3.4 per cent in 2004.

Saskatchewan's 2004 GDP per capita was $33,368, the third highest in Canada.

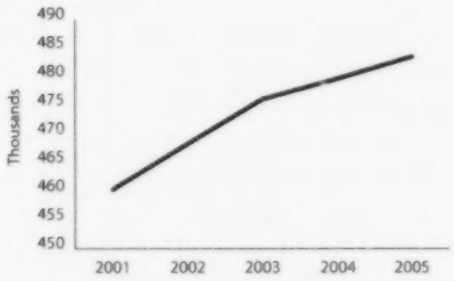
Saskatchewan Finance is forecasting economic growth in 2005 of 3.0 per cent and 2.3 per cent in 2006. The Conference Board of Canada forecasts real GDP growth of 3.0 per cent in 2005 and 2.7 per cent in 2006. (Source: Saskatchewan Finance, *Saskatchewan Department of Finance Mid-Year 2005-06 Report*. Conference Board of Canada, *Provincial Outlook* Executive Summary, Autumn 2005)

EMPLOYMENT

Industry and Resources encourages employment growth in the economy through its programs of business development, investment attraction, and leadership in economic development policy and planning. In 2005, Saskatchewan had a record employment level of 483,500. The previous record was 479,700 in 2004. In December 2005, Saskatchewan's employment fell by 6,400, compared to December 2004. This marked the fourth monthly decline after thirteen straight months of record employment increases, on a year-over-year basis.

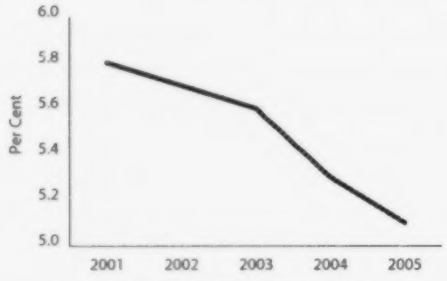
The Conference Board is forecasting employment increases of 5,000 in 2006. The Department of Finance is forecasting that employment will increase by approximately 9,100 jobs during 2005 and 2006 combined. (Source: 2005-06 Budget Report)

EMPLOYMENT



[Source: Statistics Canada, Labour Force Survey]

UNEMPLOYMENT RATE



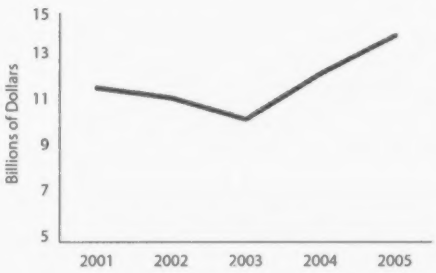
[Source: Statistics Canada, Labour Force Survey]

POPULATION

Trends in population and migration are indicative of economic stability and relate to the effectiveness of Industry and Resources programming. Saskatchewan's July 1, 2005 population was estimated at 994,126, a slight decline of 174 people from July 1, 2004. Historically, Saskatchewan's population has tended to fluctuate. Saskatchewan's interprovincial net out-migration peaked at almost 18,589 in 1989, then decreased to a low of less than 1,786 in 1998, and then increased steadily to 8,600 in 2001 before decreasing again to 4,590 in 2003 and 3,723 in 2004. Weakness in the agriculture sector is considered to be one of the main factors behind the somewhat higher out-migration levels. (Source: Statistics Canada, Saskatchewan Demographic Statistics, Population as of October 1, released December 21, 2005)

TRADE

EXPORT OF GOODS



[Source: Statistics Canada, Strategies, Trade Data Online]

Industry and Resources affects the success of Saskatchewan businesses and products in external markets by its financial support of the Saskatchewan Trade and Export Partnership (STEP). Over two-thirds of Saskatchewan's production of goods and services is exported to other Canadian and international markets. As a result, the national and international economic slowdown experienced in 2001 and 2002 had a significant impact on Saskatchewan exports and the economy. The softening of the US dollar in 2004 has also decreased the competitiveness of Canadian exports.

World commodity prices for the province's primary agriculture products, oil, gas and mineral products, as well as exchange rates and trade policies also have a significant impact on exports and the provincial economy. Total international exports of goods in 2003 fell by 8.3 per cent to $10.3 billion. However, in 2004, Saskatchewan's international exports of goods increased by 19.3 per cent to $12.3 billion, compared to 2003. Export values improved in agriculture, oil, potash and manufactured goods. In December 2005, Saskatchewan's international exports of goods increased by 28.5 per cent, or $273.9 million, to $1.2 billion, compared to December 2004. In 2005, compared to 2004, total international exports of goods increased by 13.4 per cent, or $1.6 billion, to a record level of $14 billion, breaking the old record set in 2000. (Source: Statistics Canada, Strategis, Trade Data Online)

INVESTMENT

Increased and appropriately targeted investment is necessary in order to maintain and grow a healthy and viable economy in the province. In 2004, capital investment in Saskatchewan was estimated at $7.5 billion. About 80 per cent of that investment came from the private sector. In 2005, capital investment in Saskatchewan increased to $7.8 billion, up by 4.6 per cent from the level in 2004. For 2006, new capital spending is expected to reach the $8.3 billion mark. This would also mean that in six of the last seven years new capital spending has been above $7 billion. (Source: Statistics Canada, Private and Public Investment Intentions, Table 032-0002, February 2006)

COMPETITIVENESS

Investment decisions are sensitive to access to markets, the availability of a skilled workforce, excellent infrastructure, and a favourable business climate.

Because the U.S. is our largest trading partner, the higher Canadian dollar vis-a-vis the US dollar places greater pressure on improving the productivity of our local production facilities in order to compete. The adoption of new technologies and best practices is an essential part of increasing the productivity of our industries.

Changes from 2005-06 Performance Plan

The 2006-07 Performance Plan establishes an approach to economic development with attention to key sectors that offer the greatest opportunities for growth and prosperity. The plan also provides the basis for Industry and Resources staff to address actions under the *Saskatchewan Action Plan for the Economy – A New Century of Opportunity.*

Government reorganization has resulted in shifting of certain responsibilities away from Industry and Resources. The Department of Regional Economic and Co-operative Development is now responsible for all Regional Economic Development Authorities (REDAs) and the Business Service Centres in Regina and Saskatoon. Industry and Resources has also transferred to Regional Economic and Co-operative Development responsibility for Neighbourhood Development Organizations: Quint Development Corporation in Saskatoon, River Bank Development Corporation in Prince Albert, Community Action Co-operative (Regina) Ltd. and Connecting as Neighbours in Moose Jaw.

The following sectors have been identified for expansion and increased investment: energy, minerals, forest products, agri-value, manufacturing, and advanced technology. By focusing on key sectors, the Department will direct its financial and human resources to achieve growth and development in those areas. The plan includes investment attraction and business development within key sectors to support growth and jobs.

Goals, Objectives, Actions and Measures

This section provides the detailed 2006-07 Performance Plan for Industry and Resources and sets out the Department's attention to primary thrusts to increase economic activity in Saskatchewan. To achieve these goals, a number of objectives are established to support progress toward the broader goal statement. A set of key actions is provided under each objective that describes the main activities of the Department. A set of performance measures is also provided as a means of gauging progress toward achieving the stated objectives.

The strategic plan addresses the Department's responsibility to ensure optimal benefit is realized from the non-renewable resource sectors by ensuring the most effective management of resources and by ensuring a fair share of the revenues are returned to the province.

In addition, the plan builds on the Department's role in ensuring that Saskatchewan is competitive and that the province encourages and fosters innovative solutions and achievements. Further, the Department will ensure that successes in competitiveness and innovation are promoted across the nation and around the world to attract new investment and businesses to Saskatchewan.

The first key responsibility for the Department is to strengthen and expand the industries represented by each key sector and to facilitate growth in the businesses that provide goods, supplies or services to the sector as well as those that use outputs from the sector for value-added manufacturing or processing. The focus on sectors will make better use of the Department's resources and provide increased opportunities to:

- build capacity for growth in the key sectors through initiatives such as management skill development, knowledge and technology transfer, associations and consortia;
- provide sector-specific business advice to firms considering Saskatchewan as a base, such as information on natural resources, business development or regulatory requirements;
- act as a liaison between industry and other government departments, Crown corporations and agencies on business, resource and economic development issues;
- consult with industry stakeholders to address their concerns and reduce or remove impediments to their growth;
- develop stronger partnerships and better working relationships with businesses in each sector;
- encourage increased investment in the key sectors from outside the province; and
- deploy resources to support growth in emerging key sectors.

A sectoral development approach recognizes that the growth of viable centres across the province is important in developing a positive business climate, a critical mass of business alliances and networks, and a skilled labour pool.

The sectoral approach to economic development in the province is a cornerstone of the strategic plan, and it will remain dynamic and flexible. As the province's potential for economic development shifts to emerging high-growth areas, the Department will redirect resources and use the economic levers at its disposal to stimulate further growth and jobs in these new areas.

It should be noted that the ultimate success of the sectoral approach to economic development will require a high level of co-operation and co-ordination among government departments and close collaboration with industry stakeholders.

A second thrust for the Department is responsible and effective management of Saskatchewan's resources while ensuring a fair share of revenues accrues to the province. In its administration of Crown mineral rights, the Department plays a key role in providing geological information and analysis to stimulate the development of resources.

The Department also examines policies, legislation and regulations to ensure they allow for optimal development of non-renewable resources while protecting the province's long-term interests.

The Department also plays a significant role in developing a response to climate change and identifying appropriate actions as a result of ratification of the Kyoto Protocol. Saskatchewan's participation in the development of a national plan to address climate change will not only help reduce the overall effects of climate change but will also help ensure that the actions taken do not have an undue negative effect on the provincial economy.

In addition, the Department's support to agencies such as the Petroleum Technology Research Centre and the International Test Centre for Carbon Dioxide Capture will help ensure that Saskatchewan continues to lead the way in developing solutions to climate change.

The third area of priority is the Department's role in building a positive, competitive and innovative environment for investment and business growth across the sectors and across the province. As sector development plans are prepared and potential barriers to growth are identified, the Department will analyze options and bring forward recommendations for Cabinet's consideration to improve the province's competitiveness.

The province has made significant investments in innovation infrastructure, including the following:

- Saskatoon
  - ~ Canadian Light Source Synchrotron
  - ~ Innovation Place
  - ~ Vaccine and Infectious Disease Organization
- Regina
  - ~ Regina Research Park
  - ~ Petroleum Technology Research Centre
  - ~ Greenhouse Gas Technology Centre
- Prince Albert
  - ~ Saskatchewan Forest Centre

The Department can help maximize the return on these major infrastructure investments by supporting initiatives that encourage research and innovation, supporting the commercialization of new products, and demonstrating that Saskatchewan is a leader in the adoption of new technologies.

An improved perception of the province and its opportunities for growth can lead to increased investment and economic development, a boost in tourism, greater retention of our youth and more potential for business expansion. One way to enhance the province's image is to ensure

that Saskatchewan's accomplishments and advantages are broadly and boldly communicated both within and outside our borders. The Department can demonstrate leadership and innovation in this area, and marketing campaigns will help to communicate the successes and advantages unique to Saskatchewan.

The key cost drivers that affect the financial assumptions used to develop the performance plan include variables in third party funding requirements that are external to the Department. The Ethanol Fuel Grant Program is particularly sensitive to external influences if the volume of ethanol produced in Saskatchewan rapidly increases and consumes the allocation. Moreover, the Invest in Saskatchewan program administering tax credits for labour-sponsored venture capital investments is subject to the nature of the investment climate and individual investors' perception of these instruments. Nearly two-thirds of the Department's budget is taken up in programs of grants or transfers to third party agencies. How quickly these funds are sought by applicants can affect how the Department achieves its overall plan.

It is anticipated that future plans will incorporate some different performance measures that will be better suited to measures of genuine progress more influenced by the Department's work. In the renewed plan and with the revised measures, the Department will strive to report progress on outcomes and outputs tied more closely to matters the Department influences or controls.

GOAL 1

Growth in those sectors that have the greatest potential for future prosperity – energy, minerals, forest products, agri-value, manufacturing, and advanced technology – recognizing emerging sectors with future growth potential

***OBJECTIVE 1** – Strengthen and increase industries active in key sectors*

Economic activity in Saskatchewan's priority sectors is driven largely by the demand for the goods and services exported from the Province. While a wide variety of variables affect the consumer decisions to purchase Saskatchewan-made products and services, the Province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place to invest.

KEY ACTIONS FOR 2006-07

- Develop strategies to grow key sectors of the provincial economy.
- Identify regulatory impediments and reduce government regulation.
- Work with the industry to establish a regulatory basis that encourages exploration for natural gas from coal in a sound environmental framework.
- Further improve the regulatory environment for mining by working with the industry to streamline regulatory processes.

What are we measuring?

Real Gross Domestic Product per worker in key sectors

Where are we starting from?

Real GDP per worker (1997 dollars)

Sector	2004
Agriculture and Agri-Value	40,064
Forestry	178,667
Mineral	204,196
Oil and Gas Extractions	298,506
Manufacturing	77,330
Information and Communication Technology	97,609
Tourism*	19,649

* *Here, and elsewhere, Tourism is not identified as a "key sector." It is measured as an industry of interest to the Department.*

OBJECTIVE 2 – *Encourage and facilitate growth in businesses that provide goods, supplies or services to key sectors or that use outputs from key sectors for value-added manufacturing or processing*

The Department helps to stimulate business growth by providing information and by working in partnership with the public and private sectors to deliver a comprehensive and accessible business support system.

Key Actions for 2006-07

- Review programs and services to achieve optimal results and alignment with key sectors.
- Explore the potential for additional heavy oil upgrading capacity to add value to the province's heavy oil resources.
- Work with industry partners to encourage the production of ethanol from grain, straw and wood waste.
- Evaluate value-added opportunities associated with uranium.
- Implement a strategy to attract new and expanded meat processing and manufacturing facilities to the province.

What are we measuring?

Real Gross Domestic Product by key sector

Where are we starting from?

Real GDP (millions of 1997 dollars)

Sector	2004
Agriculture and Agri-Value	1,871
Forestry	214
Mineral	1,931
Oil and Gas Extractions	2,432
Manufacturing	2,227
Information and Communication Technology	1,074
Tourism*	835

* *Here, and elsewhere, Tourism is not identified as a "key sector," but is monitored as an industry of interest to the Department.*

OBJECTIVE 3 *– Promote the importance of inter-industry collaboration within the province*

Saskatchewan's priority sectors benefit from businesses supplying goods and services within the Province and collaborating, wherever possible, to learn new approaches and to attract new suppliers or consumers of Saskatchewan-made products. The Province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place to invest.

The Department is working to develop meaningful measures that report its influence on priorities beyond its program expenditures. Viewed broadly, macro-economic measures by sector may be informative but are not always indicative of the Department's specific involvement with a particular sector, industry or firm.

Key Actions for 2006-07

- Develop critical mass of business alliances and networks.
- Promote partnerships and communication with and within sectors.
- Create new partnerships with business and industry to streamline and simplify business regulations and support economic growth while protecting the environment.

What are we measuring?

Under development

Where are we starting from?

Under development

***OBJECTIVE 4** – Dynamic and flexible sectoral focus*

The Department recognizes that the performance measure for this objective is the spending of matched dollars influenced by factors beyond the Department's control. A measure based on the processes by which the Department ensures appropriate administration of these funds may be possible.

Key Actions for 2006-07

- Assign resources to stimulate growth in emerging sectors.
- Focus research, infrastructure development and third-party agency funding to support sector development.
- Pursue key sectors in the Western Economic Partnership Agreement.
- Continue support for the Saskatchewan Trade and Export Partnership to assist exporters in reaching new markets, including short-term financing.
- Continue support for Tourism Saskatchewan to strengthen marketing and development initiatives to generate more visitor spending in the province.

What are we measuring?	**Where are we starting from?**
Investment from the Western Economic Partnership Agreement in key sectors	$46.3 million (cumulative) *[September 2003 - March 2005]*

This measure is influenced by resource decisions at the provincial and federal levels. The Canada-Saskatchewan Western Economic Partnership Agreement is a five-year, $50-million agreement designed to encourage economic development and growth in the Saskatchewan economy. Renewed in September 2003, this agreement is administered by Western Economic Diversification Canada and Industry and Resources.

GOAL 2

Optimal long-term benefit from the development of the province's non-renewable resources

***OBJECTIVE 1** – Commit the Department to responsible, effective management of resources and to ensure prudent gathering of revenues for the province*

Increasing the amount of exploration will lead to optimal development of the Province's resources. However, some of the factors that affect exploration activity (commodity prices, interest rates and exchange rates) are beyond the Department's influence. The Department can influence exploration by providing geo-scientific information on energy and mineral resources and by providing a competitive investment climate.

Key Actions for 2006-07

- Improve access to information to assist industry in achieving growth.
- Increase the amount of geo-science information available for companies to use to explore new areas in the province.
- Develop policies and processes to facilitate the development of a diamond mine should exploration activity proceed to that stage.
- Stimulate further uranium exploration and development by working with the industry and pressing the federal government to address regulatory burdens and duplication.

What are we measuring?	Where are we starting from?
Percentage of the oil and gas industry's annual revenues paid to the Crown as royalties	21.4% *[2004]*

Saskatchewan's royalty/tax systems are intended to capture a fair share of the revenue from resource development, while encouraging continued investment in and development of resources by ensuring a fair return to producers who extract Crown resources. Given that Saskatchewan is a price-taker, a range is used to reflect the scope of variability in prices.

What are we measuring?	Where are we starting from?
Saskatchewan production of non-fuel minerals	$2.8 billion *[Five-year average 2001 to 2005]*

The measure indicates the health of Saskatchewan's producing mines. The Department can influence mineral production through the tax system and general business climate.

OBJECTIVE 2 *– Examine policies, legislation and regulations for optimal development of non-renewable resources while sustaining the province's long-term interests*

The Department can influence the amount of oil and gas recovered primarily by reviewing the royalty and tax structures to ensure they are competitive and by providing information and new technologies. Other factors, such as prices and specific geological conditions within a reservoir, are beyond the control of the Department.

The measure of oil and gas recovered through Enhanced Oil Recovery (EOR) designated reservoirs is a good means by which to gauge the Department's effectiveness in maintaining a competitive royalty and tax structure. To that end the Province announced, in March 2005, major tax and royalty changes aimed at expanding EOR production in the Province.

Key Actions for 2006-07

- Develop comprehensive audit plans, financial risk areas, and allocation of audit resources.
- Review financial control processes and procedures with regard to new accounting standards and available technologies.
- Conduct an audit of our current mineral-related legislation and propose a method to bring it up to date.

What are we measuring?	Where are we starting from?
Uncollectible revenues as a percentage of total revenues assessed	0.006% *[2004-05; five-year average]*

This target reflects the financial stability of resource companies doing business in Saskatchewan and the Department's ability to ensure all revenues owed to the province are collected.

OBJECTIVE 3 *– Support and maintenance of a green and prosperous economy*

The Department partners with officials from Crown Investments Corporation and Saskatchewan Environment to develop and implement an energy policy that lays out our strategy to deal with climate change leading to a green and prosperous economy.

Until the foregoing is more defined, a performance measure relative to climate change remains under development.

Key Actions for 2006-07

- Develop a comprehensive long-term provincial climate change plan.
- Develop and co-ordinate energy technology and climate change policies.
- Design and deliver funding programs for energy sector related to climate change, energy conservation, alternative energy and energy development initiatives.
- Set out an energy policy that incorporates traditional and alternative energy sources, reflects environmental considerations and examines the potential of new technologies such as hydrogen and crop-related fuels.
- Support research in energy development, climate change and conservation through the Energy Sector Initiatives Fund.
- Develop incentives to encourage business development and growth in green technologies.

What are we measuring?	Where are we starting from?
Under development	Under development

GOAL 3

A positive, competitive and innovative environment in which to invest and do business

***OBJECTIVE 1** – Stimulate investment and business expansion across the province*

A competitive business environment is one that enjoys a dynamic record of business establishment in response to economic opportunities influenced by government policy.

Key Actions for 2006-07

- Intensify efforts to attract foreign investment, focusing on the Asia-Pacific region.
- Encourage diversification of the Saskatchewan economy.
- Attract investment and promote consortia that encourage partnerships, technology transfer and skill development to retain and expand businesses and make them more competitive internationally.

What are we measuring?

New investment by industry in key sectors

Where are we starting from?

Investment (millions of dollars)

Sector	2006 (Intentions)
Agriculture and Agri-Value	669
Forestry	10
Mineral	570
Oil and Gas Extractions	1,825
Manufacturing	377
Information and Communication Technology	368
Tourism*	97

* *Here, and elsewhere, Tourism is not identified as a "key sector," but is monitored as an industry of interest to the Department.*

This is a measure of capital spending intentions and is a strong signal of the growth of businesses, both new and existing, in the key sectors. The Department can influence this measure by promoting the province as a positive business environment in which to invest and by engaging stakeholders and undertaking economic development activities within the sectors.

***OBJECTIVE 2** – Improve the province's competitiveness*

The Department endeavours to identify and build upon Saskatchewan's competitive advantages for economic development. This includes evaluation of initiatives and approaches that, by considering for change, may improve Saskatchewan's relative competitive position.

Key Actions for 2006-07

- Streamline federal, municipal and other provincial departments' regulatory approval processes for the key sectors by working with other levels of government.
- Continuously monitor the province's royalty and tax regime to ensure it remains competitive to stimulate further oil and gas development.
- Further enhance access to government services for new and expanding businesses through a one-stop website.
- Benchmark Saskatchewan's competitiveness in relation to other jurisdictions to identify areas improvements may be considered.

What are we measuring?	**Where are we starting from?**
Saskatchewan's share of Western Canadian conventional oil and gas exploration and development expenditures	8.1% *[2004]*

Canada's oil and gas industry is quite varied and Saskatchewan really only competes for investment related to conventional operations in Western Canada. An indicator of how well the province is competing for the investment dollars available is to track the industry's investment in Saskatchewan as a percentage of the total amount spent on conventional exploration and development in all of Western Canada.

What are we measuring?	**Where are we starting from?**
Saskatchewan's share of non-uranium mineral exploration	3% *[2002 estimate]*

The measure indicates the health of the mineral exploration industry. The Department can influence the amount of exploration through geo-science programs, incentives and maintaining the general business climate.

What are we measuring?

Saskatchewan's competitiveness for manufacturing companies

Where are we starting from?

As at March 21, 2006
(Exchange rate $1.1735)

	Index
US average	100.0
Canadian average	94.5
Saskatchewan four-city average*	92.0

* *Moose Jaw, Prince Albert, Saskatoon, Regina*

This measure ranks Saskatchewan on KPMG's overall cost index (adjusted for the current US/Canada exchange rate). The Department has indirect influence over the relative competitiveness of the province for manufacturing and processing operations through policy analysis and recommended policy changes that would impact this competitiveness index.

OBJECTIVE 3 *– Maximize the return on investments in innovation*

The Department has a role in encouraging innovation and commercialization of research. This objective encourages private sector research activity in Saskatchewan, including at specialized research facilities and venues.

Key Actions for 2006-07

- Encourage research, development, demonstration and commercialization of new technologies that facilitate the expanded production of Saskatchewan's resources.
- Develop new enhanced oil recovery techniques through the Petroleum Technology Research Centre and the oil industry.
- Build on the Saskatchewan Forest Centre's technology transfer and value-added services with support for new agroforestry and market development initiatives.
- Work to enhance the life sciences economic cluster in Saskatoon and promote the cluster's unique capabilities through trade missions to select international regions and attendance at key industrial venues.
- Implement a business-friendly industrial science program at the Canadian Light Source (CLS) synchrotron to achieve a significant level of industrial usage.
- Attract industrial investment related to the synchrotron and the province's other research facilities.
- Expand the CLS facility to provide a wider range of applications related to the province's key economic sectors.

What are we measuring?

Business expenditures on research and development (R&D) in Saskatchewan per year

Where are we starting from?

Research and development expenditures in Saskatchewan by business enterprises and all sources, in terms of funding ($ millions)

	Business	SK Total	Business as % of SK Total
1999	72	323	22.29%
2000	77	376	20.48%
2001	85	396	21.46%
2002	116	434	26.73%
2003	88	391	22.51%
2004		Not available	

This measure tracks the amount of investment by business enterprises in research and development activities and is an indicator of the development and adoption of new technologies in the province. As a contributor to research and development funding in the province, the Department can influence this measure by strengthening the province's research infrastructure, matching other sources of R&D and technology commercialization funds, and by administering tax incentive programs to encourage R&D in the resource sectors.

OBJECTIVE 4 *– Improve perception of Saskatchewan growth opportunities for increased capital investment and economic development, tourism, youth retention and business expansion*

This objective is reflective of sentiments expressed at the Centennial Summit that Saskatchewan is a place of opportunity requiring private and public sector efforts to promote positively.

Key Actions for 2006-07

- Partner with business to send Team Saskatchewan missions to markets around the world to build business relationships and generate leads in key sectors.
- Work with Canada's embassies and consulates around the world to promote Saskatchewan's competitive advantages and investment opportunities.
- Promote our manufacturing sector as the advanced, vibrant sector it is, and exhibit the province's capabilities at targeted trade shows and investment attraction events.
- Increase awareness among young people of the many business and career opportunities in Saskatchewan through programs such as: the 2005 Your Future is Here campaign; and SaskYouth.net, an online resource of opportunities for youth.

What are we measuring?

Percentage of Saskatchewan residents, in polling, who agree with the statement: "Saskatchewan is a great place in which to live, work, and do business"

Where are we starting from?

48.4% agree strongly
41% agree somewhat
[June 2003]

This is an omnibus polling question and has been previously asked.

For More Information

This report provides information about our accomplishments and our future plans. If you have any questions or comments, or would like additional copies of the plan, we invite you to call (306) 787-8277.

Or contact:

Saskatchewan Industry and Resources
Resource and Economic Policy
300 – 2103 11th Avenue
Regina, Saskatchewan
S4P 3Z8

Or send us an e-mail through our website: www.ir.gov.sk.ca

Additional resources/websites:

Saskatchewan Trade and Export Partnership: www.sasktrade.sk.ca
Tourism Saskatchewan: www.sasktourism.com